FDIC State Profile

Summer 2005

Ohio

Job gains in Ohio remained uneven among sectors and locations.

- The professional and business services and educational and health services sectors remained the growth drivers for year-over-year job gains in first quarter 2005 (See Chart 1). Growth in these sectors was strongest in the **Cleveland, Columbus,** and **Akron** metropolitan areas.

- **Canton-Massillon** reported the strongest year-over-year job growth in the state in first quarter 2005 and surpassed the U.S. average. Increased hiring in the leisure and hospitality sector was the major driver of jobs in Canton. In contrast, **Lima, Mansfield,** and **Youngstown** lost jobs in weak service-providing sectors.

- For the first time in four years, Ohio's manufacturing sector posted positive year-over-year job growth, with job gains mostly in the nondurable goods sector such as food products and chemicals. However, the recent slowing of auto sales and weakness among auto manufacturers, as evidenced by the downgrade in the bond ratings of General Motors and Ford to below investment grade, may dampen job growth prospects in the auto and auto parts sectors.

Ohio homes remain affordable, but household conditions show signs of strain.

- Home price appreciation in Ohio grew at similar rates to personal income growth, likely reflecting greater availability of land, slower population growth, and weaker labor markets (See Chart 2).

- Home values in the state continued to rise slower than the national average, making homes more affordable. According to the fourth quarter 2004 survey by the National Association of Home Builders, five out of ten Ohio metropolitan areas rank in the top ten as the nation's most affordable housing markets. In the state's fastest growing area of **Cincinnati-Middletown**, home prices only grew 4.4 percent year-over-year in first quarter 2005, compared with the national average of 12.5 percent.

- The number of residential single-family and multifamily units permitted in Ohio declined in the 12 months ending

Chart 1: Job Growth Varies Across Sectors

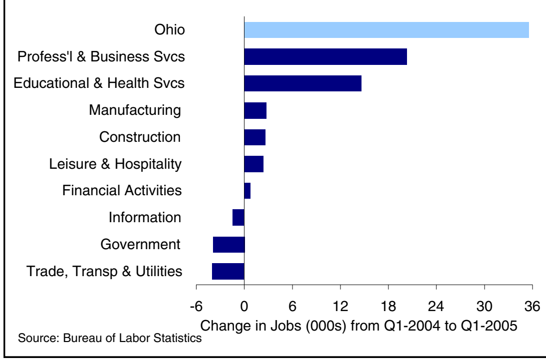


Chart 2: Ohio's Home Price Appreciation Grew in Tandem with Personal Income Growth

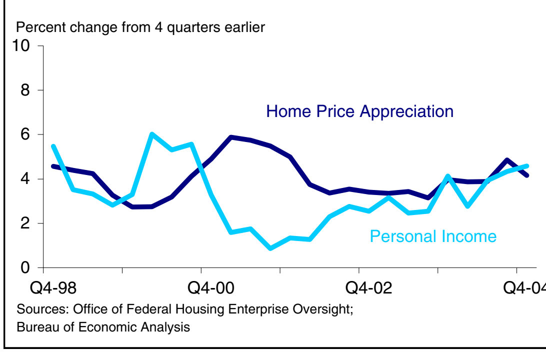
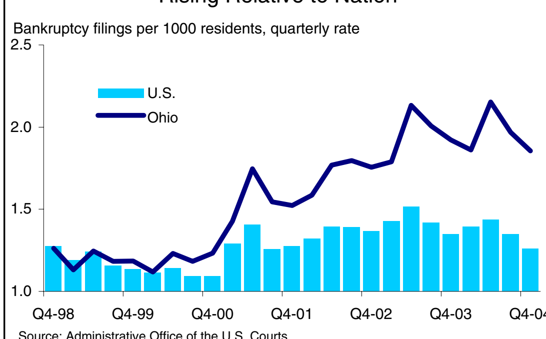


Chart 3: Ohio's Bankruptcies High and Rising Relative to Nation



March 2005 from a year earlier, suggesting a cooling housing market for the remainder of the year.

- A high and rising per capita bankruptcy rate relative to the nation demonstrates a degree of greater financial stress on Ohio's households (See Chart 3). The pace of personal bankruptcy filings and mortgage foreclosure rates slowed in fourth quarter 2004, compared with one-year ago. However, personal bankruptcy cases may increase prior to October 2005 effective date of the new bankruptcy law that makes it more difficult for consumers to discharge their debt in bankruptcy.

Office and industrial market conditions remain stable.

- Although office vacancy rates remain relatively high for the Cincinnati, Cleveland, and Columbus metropolitan areas, vacancy rates for these markets improved over the past year from office job growth and positive net absorption trends.

Ohio community institutions[1] reported lower earnings performance.

- Profitability among Ohio-based community institutions declined in first quarter 2005 from one year ago, as a result of lower noninterest income and security gains (See Table 1).

- Net interest margins remained flat from a year earlier, as higher asset yields were offset by funding cost increases. Bank funding costs are poised to increase more rapidly than asset yields through 2005 should the yield curve continue to flatten.

Moderate and stable loan growth continued.

- Total assets among community institutions increased by 3.3 percent from first quarter 2004 to first quarter 2005, led by growth in the commercial real estate and 1-4 family residential loan categories.

- Consumer loans declined slightly while home equity loans grew 5.6 percent, a situation caused perhaps by a combination of households that used home equity loans as a source of borrowing and tighter bank underwriting standards for consumer lending portfolios.

Adjustable-rate mortgages (ARMs) are increasingly popular

- Consistent with national trends, the share of home loans that originated as ARMs in Ohio increased during the past few years, most notably in 2004, despite historically low rates on fixed-rate mortgages (See Chart 4). Accelerated home price appreciation, more investment purchases of homes, slower personal income growth, and an increasingly mobile work force that contemplates frequent relocations may be contributing to increased use of ARMs.

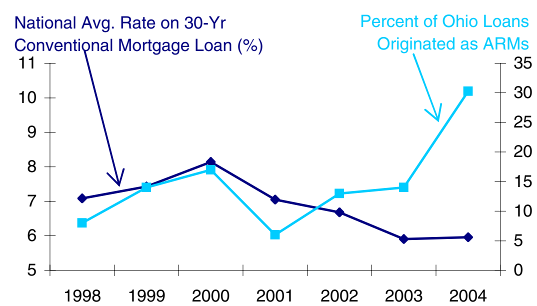
- Asset quality remained stable as delinquency ratios improved across all major loan categories (See Chart 5). However, an increasing use of ARMs could leave some highly leveraged ARM borrowers vulnerable to interest rate increases. For some banks, additional ARMs may mitigate interest rate risk but could lead to greater credit risk.

Table 1: First Quarter Profitability Suffered from Lower Noninterest Income and Securities Gains

Income statement contribution (percent of average assets)	3 months ended March 31 2004	2005	Percentage Point Change
Net Interest Income	3.46	3.45	-0.01
Noninterest Income	1.11	0.98	-0.13
Noninterest Expense	-3.02	-3.04	-0.02
Provision Expense	-0.15	-0.18	-0.03
Security Gains & Losses	0.20	0.14	-0.06
Pretax Net Income	1.60	1.35	-0.25
Income Taxes	-0.44	-0.36	0.08
Net Income (ROA)	1.16	0.99	-0.17

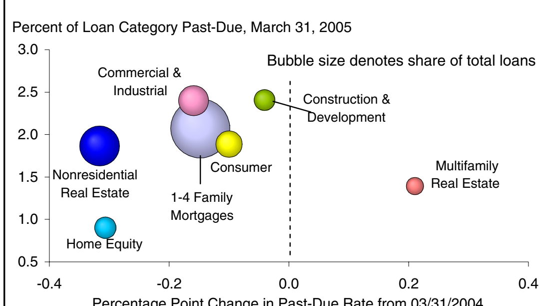
Source: FDIC. Merger-adjusted data for Ohio's Community Institutions

Chart 4: Popularity of ARMs Increased Recently Despite Low Rates on Fixed-Rate Mortgages



Source: Federal Housing Finance Board

Chart 5: Asset Quality Continued to Improve Across Most Loan Categories



Source: FDIC. Merger-adjusted data for Ohio's Community Institutions

[1] Community institutions are insured institutions with less than $1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

Ohio at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.7%	-0.3%	-1.0%	-2.5%	-0.5%
Manufacturing (15%)	0.3%	-4.5%	-3.8%	-9.7%	-3.9%
Other (non-manufacturing) Goods-Producing (5%)	1.2%	2.2%	-3.8%	-1.3%	-3.7%
Private Service-Producing (65%)	1.0%	0.6%	-0.3%	-1.4%	0.3%
Government (15%)	-0.5%	0.1%	0.1%	1.2%	1.6%
Unemployment Rate (% of labor force)	6.2	6.1	6.2	5.5	3.9

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	3.0%	3.4%	1.5%	1.8%
Single-Family Home Permits	0.1%	9.4%	-3.4%	4.4%	1.7%
Multifamily Building Permits	2.1%	-38.5%	2.3%	-20.4%	-15.3%
Existing Home Sales	5.2%	7.2%	-2.4%	13.7%	0.8%
Home Price Index	4.4%	3.9%	3.4%	3.8%	5.9%
Bankruptcy Filings per 1000 people (quarterly level)	2.01	1.86	1.79	1.59	1.43

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	284	301	312	321	336
Total Assets (in millions)	1,592,278	650,765	615,698	542,178	436,323
New Institutions (# < 3 years)	5	4	5	12	17
Subchapter S Institutions	20	20	18	18	16

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.75	1.91	2.16	2.12	1.81
ALLL/Total Loans (median %)	0.99	1.04	1.04	1.01	0.97
ALLL/Noncurrent Loans (median multiple)	1.23	1.22	1.01	1.19	1.39
Net Loan Losses / Total Loans (median %)	0.10	0.09	0.09	0.09	0.10

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.58	9.38	9.40	9.40	9.50
Return on Assets (median %)	0.94	0.96	0.95	0.94	0.94
Pretax Return on Assets (median %)	1.34	1.32	1.33	1.32	1.29
Net Interest Margin (median %)	3.97	3.99	4.00	4.01	3.94
Yield on Earning Assets (median %)	6.86	6.85	6.98	7.22	7.52
Cost of Funding Earning Assets (median %)	2.88	2.87	3.05	3.30	3.65
Provisions to Avg. Assets (median %)	0.11	0.11	0.12	0.12	0.12
Noninterest Income to Avg. Assets (median %)	0.47	0.48	0.49	0.48	0.47
Overhead to Avg. Assets (median %)	2.87	2.84	2.84	2.80	2.74

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	71.2	68.6	68.0	69.5	72.5
Noncore Funding to Assets (median %)	18.9	18.0	16.6	16.8	17.0
Long-term Assets to Assets (median %, call filers)	24.8	25.3	22.9	23.6	22.1
Brokered Deposits (number of institutions)	68	66	60	62	72
Brokered Deposits to Assets (median % for those above)	3.8	4.6	4.7	4.6	4.8

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	40.0	42.8	43.1	38.7	42.1
Commercial Real Estate	155.1	147.1	131.2	115.5	108.8
Construction & Development	19.4	16.6	14.6	14.9	15.7
Multifamily Residential Real Estate	7.5	7.8	7.9	7.3	5.5
Nonresidential Real Estate	97.5	90.7	79.5	72.9	68.5
Residential Real Estate	324.5	330.2	335.4	347.2	373.9
Consumer	36.6	39.7	44.3	51.2	58.1
Agriculture	11.0	10.7	12.7	10.7	11.5

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Cleveland-Elyria-Mentor, OH	47	62,258	< $250 million	206 (72.5%)
Cincinnati-Middletown, OH-KY-IN	92	43,044	$250 million to $1 billion	54 (19%)
Columbus, OH	58	26,103	$1 billion to $10 billion	14 (4.9%)
Akron, OH	29	9,396	> $10 billion	10 (3.5%)
Dayton, OH	33	9,363		